

## Position Statement

### **Microinsurance Network industry members commit to innovative and sustainable solutions to climate change**

Major announcements by the Secretary-General of the United Nations and USA President Obama at the Climate Change Conference (COP21) in Paris, stress the vital role that insurance, reinsurance and risk transfer mechanisms have to play in enhancing resilience against climate hazards<sup>1</sup>. Furthermore, also at COP21, the African Risk Capacity (ARC) pledged to expand the offer of its parametric and weather index-based insurance products to international organisations and NGOs, scaling up from its focus on sovereign governments in Africa and aiming at doubling the coverage it provides to USD 1.5 billion by 2020<sup>2</sup>.

Since 2010, the world incurred losses reaching USD 1.8 trillion due to natural catastrophes and weather-related events and the number of victims were close to 500,000<sup>3</sup>. The last 10 years showed that only 30% of total damage to global property was insured. The current gap between insured and total losses reaches USD 1.3 trillion<sup>4</sup>. In 2014 alone, there were 189 natural catastrophe events, causing global economic losses of USD 110 billion<sup>5</sup>. These events are likely to occur more frequently and/or gain in intensity in light of climate change, which poses a huge risk for global economies.

### **Risk management**

The members of the Microinsurance Network recognise that finding solutions to reduce the impact of climate change is not only part of their inherent mission to enhance the resilience of low-income households, but also presents business opportunities and ensures the safeguard of private insurance markets. While climate change poses potential threats to the insurance industry, it also offers prospects for innovation and developing creative products and services to minimise the causes and effects of extreme weather events.

Microinsurance proved an efficient disaster risk management tool in the aftermath of Typhoon Haiyan, which hit the Philippines in 2013<sup>6</sup>. Claims payments to over 111,000 people were used to restart livelihoods and for rebuilding infrastructure and housing. Network

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<sup>1</sup> <http://www.artemis.bm/blog/2015/12/01/ban-ki-moon-obama-in-insurance-pledges-at-paris-cop21-climate-talks/>

<sup>2</sup> <http://www.artemis.bm/blog/2015/12/02/arc-opens-parametric-insurance-products-to-organisations-ngos/>

<sup>3</sup> Source: *sigma* world insurance database. © 2013 Swiss Re Economic Research & Consulting.

<sup>4</sup> [http://www.swissre.com/media/news\\_releases/The\\_USD\\_13\\_trillion\\_disaster\\_protection\\_gap.html](http://www.swissre.com/media/news_releases/The_USD_13_trillion_disaster_protection_gap.html)

<sup>5</sup> [http://www.swissre.com/media/news\\_releases/Insured\\_losses\\_from\\_disasters\\_below\\_average\\_in\\_2014.html](http://www.swissre.com/media/news_releases/Insured_losses_from_disasters_below_average_in_2014.html)  
<http://www.munichre.com/en/group/focus/climate-change/index.html>

<sup>6</sup> <http://www.microinsurancenetwerk.org/groups/aiding-disaster-recovery-process-effectiveness-microinsurance-service-providers-response>

members like MicroEnsure, Pioneer Life Incorporated and Cebuana Lhuillier Insurance Solutions were among the first on the scene to pay claims. The advantageous flexible environment from the side of providers, intermediaries and regulators, made this microinsurance experience in the Philippines a success story.

Climate change severely affects the agriculture sector and pushes small-holder farmers into hunger and poverty. At the same time, global food demand is expected to increase by 60% till 2050 and poor farmers are particularly needed to help feed the growing population. Microinsurance Network members like Grameen Crédit Agricole Microfinance Foundation, the MicroInsurance Centre, the International Fund for Agricultural Development (IFAD) and Munich Re Foundation continue their support to the development of crop and livestock microinsurance products, as a way to protect poor farmers against losses due to climate hazards such as excessive rainfall and drought spells or even an illness they come across during their lifetime. Microinsurance Network member, Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) continues to support projects on risk management strategies in adaptation to climate change for small-holder farmers.

## **Climate finance**

The Microinsurance Network industry members commit to climate adaptation and mitigation by investing and raising awareness on long-term infrastructure resilience to disasters. Furthermore, they have a crucial role in expanding the scope and type of insurance data and models to improve risk reduction and resilience. They also have the capacity to invest in and raise finance for climate risk mitigation including climate and green bonds and other debt and equity instruments. As an example, both Microinsurance Network members AXA and Allianz have committed to divesting from coal-generating activities and investing in renewable energies. Allianz<sup>7</sup> continues developing customised products for large-scale renewable energy projects and green building insurance. On the other hand, the G7 has committed to leverage several billion USD from public and private finance to cover a further 400 million people with climate risk insurance by 2020.

## **Challenges and partnerships**

The Microinsurance industry recognises the big challenges ahead to reduce the gap between insured and total losses. They therefore pursue their objectives in sustaining flexible regulatory frameworks, promoting customised products, optimising distribution channels and raising awareness through financial education. The Microinsurance Network cannot succeed alone in solving the challenges of climate change and requires innovative, sustainable and effective partnerships with businesses, the private and public sectors and civil society to relieve the burden of low-income households in the face of environmental hazards.

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<sup>7</sup>[https://www.allianz.com/en/sustainability/sustainability\\_report\\_2014/sustainability\\_strategy/climate\\_change\\_strategy.html/](https://www.allianz.com/en/sustainability/sustainability_report_2014/sustainability_strategy/climate_change_strategy.html/)